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## Subchapter 1

## Obligation of Debts Incurred for the Purchase of Property

10.10.101 VALID OBLIGATION CRITERIA FOR ENCUMBRANCES

(1) The district may encumber current year appropriations for valid obligations existing as of June 30th. Encumbrances outstanding at year end shall be added to current year expenditures to arrive at the budgetary basis expenditures for the year. Expenditures shall be reported on the trustee's financial summary using the budgetary basis.

(2) Criteria for determining whether a valid obligation exists are as follows:

(a) The cost of personal property, including materials, supplies and equipment, ordered but not received may be encumbered if a valid purchase order for the items was issued prior to June 30th.

(b) The cost of commitments related to construction in progress may be encumbered if a legally binding contract was signed and effective or a valid purchase order was issued prior to June 30th. If performance under the contract is complete, or virtually complete, the cost of the entire contract should be accrued.

(History: 20-9-102, 20-9-201, MCA; IMP, 20-9-102, 20-9-201, 20-9-209, MCA; NEW, 1984 MAR p. 972, Eff. 6/29/84; AMD, 1990 MAR p. 717, Eff. 4/13/90; AMD, 1994 MAR p. 1824, Eff. 7/8/94.)

## Subchapter 2

## Clearing Accounts

10.10.201 ESTABLISHMENT (1) A single payroll or claims clearing account may be established for elementary and high school districts. (History: 20-9-220, MCA; IMP, 20-9-220, MCA; NEW, 1987 MAR p. 2375, Eff. 12/25/87.)

10.10.202 MONTHLY TRANSFERS TO EQUAL WARRANTS ISSUED PLUS UNREMITTED PAYROLL LIABILITIES (1) Warrants issued from the clearing account and unremitted payroll liabilities must equal the total of the amounts transferred to the clearing accounts. The county treasurer must be notified by letter of the monthly transfers to be made along with a list of warrants written, a list of authorized direct deposits for payroll, or a duplicate of each warrant. (History: 20-9-102, 20-9-201, 20-9-220, MCA; IMP, 20-9-102, 20-9-201, 20-9-220, MCA; NEW, 1987 MAR p. 2375, Eff. 12/25/87; AMD, 1990 MAR p. 717, Eff. 4/13/90; AMD, 2004 MAR p. 1613, Eff. 7/23/04.)

10.10.203 REPORTS (REPEALED) (History: 20-9-220, MCA; IMP, 20-9-220, MCA; NEW, 1987 MAR p. 2375, Eff. 12/25/87; REP, 1990 MAR p. 717, Eff. 4/13/90.)

10.10.204 WARRANTS (REPEALED) (History: 20-9-220, MCA; IMP, 20-9-220, MCA; NEW, 1987 MAR p. 2375, Eff. 12/25/87; REP, 1990 MAR p. 717, Eff. 4/13/90.)

10.10.205 RECONCILIATION (1) The clearing accounts shall be reconciled each month. The total of the unpaid outstanding warrants and unpaid payroll liabilities shall equal the cash remaining in each clearing account. (History: 20-9-102, 20-9-201, 20-9-220, MCA; IMP, 20-9-102, 20-9-201, 20-9-220, MCA; NEW, 1987 MAR p. 2375, Eff. 12/25/87; AMD, 1990 MAR p. 717, Eff. 4/13/90.)

10.10.206 INSUFFICIENT CASH AVAILABLE (1) If the sum of the cash available in all funds of the district is insufficient to finance the transfers to the clearing accounts, a warrant must be issued from the depleted budgeted fund(s) for transfer to the clearing accounts. This transfer warrant must be registered by the county treasurer as outlined in 20-9-212, MCA.

(2) As an alternative, the district may temporarily abandon use of the clearing accounts, draw warrants against each fund, and register warrants as provided in 20-9-212, MCA. School districts may also issue revenue anticipation notes through the Economic Development Board of the Department of Commerce to provide temporary financing to pay warrants issued against budgeted funds. In addition, 7-6-2701, MCA, allows counties to invest in the registered warrants of school districts. (History: 20-9-102, 20-9-201, 20-9-220, MCA; IMP, 20-9-102, 20-9-201, 20-9-220, MCA; NEW, 1987 MAR p. 2375, Eff. 12/25/87; AMD, 1990 MAR p. 717, Eff. 4/13/90; AMD, 2000 MAR p. 632, Eff. 2/25/00.)

10.10.207 TRANSFERS-NONBUDGETED FUNDS (1) Transfers to clearing accounts and warrants issued cannot be made from nonbudgeted funds in excess of the cash available. Cash available shall include cash on hand and receivables to be collected within 30 days. (History: 20-9-102, 20-9-201, MCA; IMP, 20-9-102, 20-9-201, 20-9-210, 20-9-220, MCA; NEW, 1987 MAR p. 2375, Eff. 12/25/87; AMD, 1990 MAR p. 717, Eff. 4/13/90; AMD, 1994 MAR p. 1824, Eff. 7/8/94.)

10.10.208 VOIDED WARRANTS (1) If a warrant is subsequently voided, the warrant must be deleted from the payroll or claim account's outstanding warrant list and the cash returned to the fund(s) which had originally transferred the money.

(a) If the voided warrant was issued against the current year's budget, the appropriate expenditure account(s) should be reduced by the amount of the voided warrant.

(b) If the voided warrant was issued against a prior year's budget, the appropriate revenue account as provided in the School Accounting Manual should be increased by the amount of the voided warrant. (History: 20-9-102, 20-9-201, MCA; IMP, 20-9-102, 20-9-201, 20-9-220, MCA; NEW, 1987 MAR p. 2375, Eff. 12/25/87; AMD, 1990 MAR p. 717, Eff. 4/13/90; AMD, 1994 MAR p. 1824, Eff. 7/8/94.)

10.10.209 INTEREST EARNED (1) Interest revenue shall not be recorded in payroll and claims clearing accounts.

(2) Interest earned on the investment of money in payroll and claims clearing accounts shall be added to the regular interest earnings for distribution to the various funds. (History: 20-9-102, 20-9-201, 20-9-220, MCA; IMP, 20-9-102, 20-9-201, 20-9-220, MCA; NEW, 1987 MAR p. 2375; AMD, 1990 MAR p. 717, Eff. 4/13/90.)

## Subchapter 3

## Special Accounting Practices

**10.10.301 CALCULATING TUITION RATES** (1) The maximum regular education tuition rate a district may charge per student is 20% of the per ANB rate established in 20-9-306(10), MCA, for the first ANB for the year of attendance. For a kindergarten student enrolled in a half-time program as provided in 20-1-301(2)(a), MCA, and a preschool child with disabilities the rate is one-half the rate for an elementary student.

(2) Pursuant to 20-5-323, MCA, the maximum tuition rate for a student without disabilities who has been placed outside their resident district by a state agency or court may exceed the regular tuition rate calculated in (1) if:

(a) the student has unique needs that require a district to provide a program specifically designed to meet those needs; and

(b) the costs of the program can be documented and exceed the receiving school district's average general fund budget per budgeted ANB in the year preceding the year of attendance.

(3) Tuition calculated in (2) may not exceed the lesser of:

(a) \$2,500; or

(b) the actual individual costs of providing that student's program minus 80% of the maximum per-ANB rate established in 20-9-306(10), MCA for the first ANB for the year of attendance.

(4) The maximum tuition rate for a student with disabilities may exceed the regular tuition rate calculated in (1) but may not exceed the rates established in ARM 10.16.3818.

(5) The calculations in this rule are the maximum tuition rates that a district may charge for a Montana resident student.

(a) Pursuant to 20-5-320 and 20-5-321, MCA, the three entities that pay tuition are: parents or guardians, school districts, and the state. The trustees may waive any or all of the calculated tuition amount, but any waiver must be applied equally to all students in the district's elementary or high school program, the tuition for which is required to be paid by the same type of entity. Trustees may set different tuition rates for elementary and high school programs, including programs offered by an elementary district and high school district operated under a combined board or a K-12 district.

(b) Regular education tuition charged for students under a group attendance arrangement in accordance with 20-5-320(8), MCA, must be the same rate charged for students attending under attendance agreements with other school districts but may not exceed the maximum regular education rate in (1).

(c) Regular education tuition charged for mandatory conditions must be the same rate charged for discretionary conditions.

(d) Tuition amounts shall be adjusted for the portion of the year the student is enrolled, based on the percentage calculated by dividing the number of days the student is enrolled by 180.



(e) If trustees charge tuition, the trustees shall charge all parents and guardians the same tuition rate, including the parent or guardian of a child with disabilities. (History: 20-5-312, 20-9-102, 20-9-201, MCA; IMP, Title 20, ch. 5, pt. 3, 20-6-702, MCA; NEW, 1990 MAR p. 717, Eff. 4/13/90; AMD, 1992 MAR p. 1238, Eff. 2/14/92; AMD, 1992 MAR p. 1365, Eff. 6/26/92; AMD, 1994 MAR p. 1824, Eff. 7/8/94; AMD, 1996 MAR p. 2168, Eff. 8/9/96; AMD, 2000 MAR p. 632, Eff. 2/25/00; AMD, 2002 MAR p. 1662, Eff. 6/14/02; AMD, 2006 MAR p. 3070, Eff. 12/22/06; AMD, 2008 MAR p. 1692, Eff. 8/15/08.)

10.10.301A DEFINITIONS (REPEALED) (History: 20-9-102, MCA; IMP, 20-9-102, MCA; NEW, 1992 MAR p. 209, Eff. 2/14/92; REP, 1994 MAR p. 1824, Eff. 7/8/94.)

10.10.301B OUT-OF-DISTRICT ATTENDANCE AGREEMENTS (1) For purposes of this rule:

(a) a child's guardian means an adult who is responsible for the child and has the reciprocal rights, duties and responsibilities with the child and whose status is created and defined by law;

(b) placement by a court of competent jurisdiction includes federal and state district courts, tribal courts, and youth courts established pursuant to Title 41, chapter 5, MCA; and

(c) for the purpose of this rule placement by a "state agency" includes placement by tribal agencies, the Department of Corrections or the Department of Public Health and Human Services. Placement by a state agency does not include placement by a private or not-for-profit entity under contract with the Department of Corrections or the Department of Public Health and Human Services.

(2) Out-of-district attendance agreements must establish the charges, if any, for both tuition and transportation, and the parties who will be responsible for payment. Tuition charges must comply with ARM 10.10.301.

(3) Discretionary out-of-district agreements must be signed by the student's parent or guardian who initiates the request, a responsible official of the receiving district, and an official of the resident district, if the resident district is to be responsible for tuition or transportation costs.

(a) The resident district is not obligated for the tuition or transportation costs if it has not agreed to the out-of-district attendance. However, it may agree to pay one of the costs without agreeing to pay the other.

(b) If the resident district has not agreed to allow the out-of-district attendance, the receiving district may allow the student to attend, and the parent or guardian may be charged for tuition and transportation costs.

(4) Pursuant to 20-5-321, MCA, the resident district and the receiving district must accept the request for the student to attend out-of-district if the mandatory conditions set out in 20-5-321, MCA, are present, unless:

(a) accreditation of the receiving district would be adversely affected; or

(b) the student is a student without disabilities who is a legal resident of a school district outside the state of Montana.

(5) The exceptions in (4) do not apply if the student is a pupil with disabilities who lives in the district where he wishes to attend. If the student is a pupil with disabilities who lives in the district of attendance, the district of attendance must accept the request for out-of-district attendance, regardless of the legal residence of the student.

(6) For purposes of 20-5-321(1)(a), MCA, "transportation" shall include, but not be limited to, the offering or provision of:

- (a) bus service;
- (b) an individual transportation contract; or
- (c) room and board reasonably near the school.

(7) Statutes in effect for the student's year of attendance govern the conditions of the attendance agreement.

(8) When the state is obligated to pay tuition or transportation costs for a student placed under provisions of 20-5-321(1)(d) and (e), MCA, the trustees of the district of attendance shall send a completed copy of the student's attendance agreement to the Superintendent of Public Instruction for approval. The agreement must be submitted by June 30 of the year following the year of attendance to be eligible for approval.

(9) When the district is obligated to pay tuition or transportation costs for out-of-district attendance agreements, the tuition will be paid from the district's tuition fund, and the transportation costs will be paid from the district's transportation fund. A district may pay tuition and transportation charges in the student's year of attendance or, if the obligation occurs after the district's budget is adopted, in the ensuing year.

(10) The state shall be responsible for tuition and may be charged transportation costs as established under 20-5-323, MCA, for a child who has been placed outside the child's resident district by a court or by a state agency or for a child placed outside the child's resident district in a foster care or group home licensed by the state.

(11) The state's tuition and related transportation obligation shall be paid to the eligible receiving district by the Superintendent of Public Instruction.

(12) Tuition payments made for a child placed outside the child's resident district by a court or state agency must be supported by a properly completed out-of-district attendance agreement signed by both the receiving district and by an authorized representative of the placing court or state agency. Attendance agreements for students placed in state licensed group homes by parents, guardians, or representatives of state licensed group homes must be signed by the receiving district and by a parent or legal guardian or an authorized representative of a state licensed group home on behalf of the parent or legal guardian. (History: 20-5-323, 20-9-102, MCA; IMP, 20-5-320, 20-5-321, 20-5-322, 20-5-323, 20-5-324, MCA; NEW, 1994 MAR p. 1824, Eff. 7/8/94; AMD, 1996 MAR p. 2168, Eff. 8/9/96; AMD, 2002 MAR p. 1662, Eff. 6/14/02; AMD, 2006 MAR p. 3070, Eff. 12/22/06.)

10.10.301C OUT-OF-STATE ATTENDANCE AGREEMENTS (1) The Superintendent of Public Instruction is authorized to establish reciprocal agreements for out-of-state attendance with border states or provinces. The tuition charge for a Montana student attending school in a state or province with a reciprocal agreement is governed by the conditions of the reciprocal agreement.

(2) The amount of tuition paid by a Montana district for a student without disabilities who attends school in a state or province not governed by a reciprocal tuition agreement cannot exceed the annual average cost per student in the student's district of residence. If the tuition rate charged by the receiving district is less than the Montana district's annual average cost per student, the tuition payment may not exceed the lesser of the two amounts.

(3) Districts may agree to pay tuition charges that are less than the maximum allowed rates.

(4) Provided it is in an operating status, a school district that is responsible for paying tuition charges for a resident student who attends an out-of-state public school may receive reimbursement for the amount of tuition paid, up to the state's portion of the per ANB entitlement per student for the year of attendance.

(a) Calculations will be based on the county superintendents' reports submitted in accordance with ARM 10.10.301D.

(b) The Superintendent of Public Instruction shall provide payment of the amount calculated in (4)(a), but not more than the amount of tuition paid by the district for resident students who attended school out-of-state, in the year the out-of-district attendance report is submitted, provided it is submitted, with documentation of payment, to the Superintendent of Public Instruction within the school year following the year of attendance. (History: 20-5-323, 20-9-102, MCA; IMP, 20-5-314, 20-5-316, 20-5-320, 20-5-321, 20-5-323, 20-5-324, MCA; NEW, 1994 MAR p. 1824, Eff. 7/8/94; AMD, 1996 MAR p. 2168, Eff. 8/9/96; AMD, 1998 MAR p. 1719, Eff. 6/26/98; AMD, 2002 MAR p. 1662, Eff. 6/14/02; AMD, 2004 MAR p. 3015, Eff. 12/17/04.)

10.10.301D TUITION REPORTS (1) Following the close of each fiscal year, the trustees of a district shall provide an out-of-district attendance report to the Superintendent of Public Instruction. That report shall be in a format prescribed by the Superintendent of Public Instruction and shall list, for the most recent school year:

(a) students who attended a school of the district under a mandatory agreement pursuant to 20-5-321, MCA;

(b) resident students who attended a public school out-of-state for which the district is responsible for payment of the tuition charges; and

(c) resident students attending day treatment programs under approved individualized education programs at private nonsectarian schools in the previous school year.

(2) To be eligible to receive state payments for tuition and tuition reimbursements under 20-5-324, MCA, a district must submit the tuition report to the Superintendent of Public Instruction by June 30 of the year following the student's year of attendance. (History: 20-5-323, 20-9-102, MCA; IMP, 20-5-320, 20-5-321, 20-5-323, 20-5-324, 20-7-431, MCA; NEW, 1994 MAR p. 1824, Eff. 7/8/94; AMD, 1996 MAR p. 2168, Eff. 8/9/96; AMD, 2002 MAR p. 1662, Eff. 6/14/02; AMD, 2006 MAR p. 3070, Eff. 12/22/06.)

10.10.302 PAYMENT AND CLOSING OF PRIOR YEAR ACCRUED EXPENDITURES AND ENCUMBRANCES (1) A list showing the detail and total amount of accrued expenditures and encumbrances reported by fund shall be retained by the district for audit purposes.

(2) All accrued expenditures and encumbrances, except contracts for construction, for the prior year must be closed by the district before June 30th of the current year. (History: 20-9-102, 20-9-201, MCA; IMP, 20-5-320, 20-5-321, 20-5-323, 20-9-102, 20-9-201, 20-9-209, MCA; NEW, 1990 MAR p. 717, Eff. 4/13/90; AMD, 1992 MAR p. 209, Eff. 2/14/92; AMD, 1996 MAR p. 2168, Eff. 8/9/96.)

10.10.303 COST ALLOCATIONS BETWEEN DISTRICTS (1) In the event certain shared costs, such as administrative costs, curriculum coordinator salaries, school psychologist salaries, etc., cannot reasonably be identified directly to either the elementary district or the high school district or between funds within a district, the school district administration shall prepare a cost allocation plan for approval by the board of trustees prior to adoption of the final budget. The cost allocation plan should reasonably distribute such costs between districts and funds within a district, consistently from year to year. Shared costs shall be budgeted and accounted for in accordance with the cost allocation plan approved by the board of trustees.

(2) The following allocation bases shall be used to allocate shared costs:

- (a) ANB or enrollment per district;
- (b) full time equivalent (FTE) staff per district;
- (c) FTE teaching staff per district;
- (d) floor space occupied or space occupied over time per district;
- (e) miles driven, student miles driven, driver hours per district;
- (f) students served per district;
- (g) taxable valuation per district; or
- (h) time spent providing services.

(3) As provided by 20-6-506, MCA, the cost of operating the junior high school must be prorated between the elementary district and the high school district on the basis of the ratio that the number of pupils of their district is to the total enrollment of the junior high school.

(4) As provided by 20-4-401, MCA, whenever a joint board of trustees employs a person as the district superintendent under (2) and (3), the districts shall prorate the compensation provided by the contract of employment on the basis of the number of teachers employed by each district. (History: 20-9-102, 20-9-201, MCA; IMP, 20-9-102, 20-9-103, 20-9-201, MCA; NEW, 1990 MAR p. 717, Eff. 4/13/90; AMD, 1998 MAR p. 1719, Eff. 6/26/98.)

10.10.304 STUDENT EXTRACURRICULAR ACTIVITY FUNDS (1) School districts maintaining student extracurricular activity funds may use a separate checking account or the county treasurer as a depository for student funds.

(2) To allow the Superintendent of Public Instruction to comply with reporting requirements by the National Center for Education Statistics of the U.S. Department of Education, school districts shall report all the financial activity relating to student extracurricular activity funds on the trustees' financial summary provided by the Superintendent of Public Instruction.

(3) The student extracurricular fund must not be used as a petty cash fund for district expenditures.

(4) Cash balances in the student extracurricular fund may not be loaned to other district funds, may not be used to finance district expenditures for purposes other than student extracurricular activities, and may not be used as a convenience to pay the district's liabilities pending reimbursement from the appropriate district fund, except when student extracurricular expenditures are subsidized by the general fund.

(5) Student extracurricular expenditures subsidized by the district general fund may be paid from the student extracurricular fund and later reimbursed from the general fund. The claim against the general fund must be properly authorized, completely documented and easily traced into the extracurricular fund records. For example, meal and motel costs for students and advisors may be paid from the student extracurricular fund and later reimbursed from the general fund upon filing a properly authorized claim. (History: 20-9-102, 20-9-201, MCA; IMP, 20-9-102, 20-9-201, MCA; NEW, 1990 MAR p. 717, Eff. 4/13/90; AMD, 1992 MAR p. 1365, Eff. 6/26/92; AMD, 1994 MAR p. 1824, Eff. 7/8/94.)

10.10.305 BUDGET AUTHORITY FOR CORRECTION OF PRIOR PERIOD EXPENDITURE ERRORS (1) Transactions recorded to correct expenditures reported in a prior year shall be charged against the current year's budget as provided in 20-9-209(2), MCA.

(2) As provided in 20-9-208(1), MCA, a budget transfer may be made from other appropriation item(s) to provide budget authority for corrections of prior period expenditure errors which result in a net reduction to beginning fund balance. Prior period adjustment must be within the total budget limit imposed by 20-9-133, MCA. (History: 20-9-102, 20-9-201, MCA; IMP, 20-9-102, 20-9-201, MCA; NEW, 1990 MAR p. 717, Eff. 4/13/90.)

10.10.306 BANK ACCOUNTS OR OTHER DEPOSITORIES (1) As provided by 20-9-212 and 20-9-504, MCA, the county treasurer is the custodian and depository of all school district monies except student extracurricular funds. Other bank accounts or depositories outside the control of the county treasurer shall be limited to:

(a) accounts with the state Board of Investments or investment firms maintaining a unified investment program in accordance with ARM 10.10.625;

(b) petty cash accounts;

(c) interim depository accounts for school lunch or driver's education fees;

(d) money held by the district in investment accounts established under 20-9-235, MCA; and

(e) gifts or endowments if such accounts are required by the donor.

(2) The county treasurer shall be the custodian for all other school district monies, including gifts, donations, endowments, interlocal agreements, direct federal or state revenues and district administered self-insurance programs. (History: 20-9-102, 20-9-201, MCA; IMP, 20-9-212, 20-9-504, MCA; NEW, 1990 MAR p. 717, Eff. 4/13/90; AMD, 2000 MAR p. 632, Eff. 2/25/00; AMD, 2002 MAR p. 1740, Eff. 6/28/02; AMD, 2008 MAR p. 1692, Eff. 8/15/08.)

10.10.307 REPLACEMENT WARRANTS AND CHECKS (1) When a replacement warrant is issued to replace a lost warrant as provided in 7-7-2104, MCA, or a canceled warrant as provided in 20-9-223, MCA, the following rules shall apply:

(a) The original warrant shall be removed from the unpaid outstanding warrant list.

(b) The word "duplicate" and phrase "replacement warrant for warrant no." shall be plainly printed across the face of the warrant.

(c) The school district shall send the county treasurer a letter, including the original indemnity bond if required, stating which warrant number has been lost or canceled and which warrant number has been issued to replace the lost or canceled warrant.

(d) The amount of the replacement warrant shall be shown on the list of warrants issued for the month but shall not be included in the total of the warrants issued or in the amounts transferred to the clearing accounts.

(2) The following rules apply when a school district issues a check replacing a lost or cancelled check written on a school district investment account or an account established pursuant to 20-9-235, MCA:

(a) the original check shall be removed from the unpaid outstanding check list;

(b) the word "duplicate" and phrase "replacement check for check no." shall be printed plainly across the face of the check;

(c) the school district shall send the investment firm or entity a letter, including the original indemnity bond if required, stating which check number has been lost or cancelled and which check number has been issued to replace the lost or cancelled check; and

(d) the amount of the replacement check shall be shown on the list of checks issued for the month but shall not be included in the total of the checks issued.

(History: 20-9-102, 20-9-201, MCA; IMP, 20-9-102, 20-9-201, MCA; NEW, 1990 MAR p. 717, Eff. 4/13/90; AMD, 2002 MAR p. 1740, Eff. 6/28/02.)

#### 10.10.308 COUNTY INVESTMENT OF SCHOOL DISTRICT FUNDS

(TRANSFERRED) (History: 20-9-102, MCA; IMP, 20-9-212, 20-9-213, MCA; NEW, 1990 MAR p. 717, Eff. 4/13/90; AMD, 1992 MAR p. 1365, Eff. 6/26/92; AMD, 1994 MAR p. 1824, Eff. 7/8/94; AMD, 1998 MAR p. 1719, Eff. 6/26/98; AMD, 2000 MAR p. 632, Eff. 2/25/00; TRANS, 2002 MAR p. 1740, Eff. 6/28/02.)

10.10.309 DISTRIBUTION AND REAPPROPRIATION OF COUNTYWIDE FUNDS (1) The county superintendent of schools shall distribute the cash balance in the countywide retirement fund to district and cooperative funds on a monthly basis in the proportion each district's or cooperative's net requirement bears to the total of all net district and cooperative requirements. Net requirement is defined as the total district or cooperative retirement budget less estimated revenues.

(2) The cash balance in the county transportation fund must be distributed as provided in 20-10-146, MCA.

(3) The cash balance in the elementary and high school countywide retirement and transportation funds at fiscal year end must be reappropriated in the following fiscal year once distributions to school districts for the current and prior years are 100% of the total net district requirements. (History: 20-9-102, MCA; IMP, 20-9-213, MCA; NEW, 1990 MAR p. 717, Eff. 4/13/90; AMD, 1990 MAR p. 2275, Eff. 12/28/90; AMD, 1992 MAR p. 209, Eff. 2/14/92; AMD, 1994 MAR p. 1824, Eff. 7/8/94; AMD, 2002 MAR p. 1740, Eff. 6/28/02; AMD, 2004 MAR p. 1613, Eff. 7/23/04.)

10.10.310 UNOBLIGATED TUITION MONEY IN THE MISCELLANEOUS PROGRAMS FUND (1) If, for any given year, tuition money deposited in the miscellaneous programs fund under 20-5-324, MCA, remains unobligated at year end, the money shall be transferred to the general fund prior to closing of the accounts for that fiscal year.

(2) In accordance with generally accepted accounting principles, transfers due to the general fund are to be accrued by June 30 in the district's accounting records as operating transfers. The actual cash transfer to the general fund shall be made before September 30 of the next fiscal year. (History: 20-9-102, MCA; IMP, 20-5-324, 20-9-321, 20-9-507, MCA; NEW, 1992 MAR p. 209, Eff. 2/14/92; AMD, 1994 MAR p. 1824, Eff. 7/8/94; AMD, 2008 MAR p. 1692, Eff. 8/15/08.)

10.10.311 BUS DEPRECIATION RESERVE FUND (1) Section 20-10-147, MCA, allows school districts to budget each year in a bus depreciation reserve fund an amount that does not exceed 20% of the original cost of a bus or a two-way radio. The amount budgeted may not, over time, exceed 150% of the original cost of the bus or radio.

(2) Annual depreciation may not exceed 20% of the bus or radio's original cost.

(3) The cost of new parts added after the original purchase of a bus or radio may not be depreciated.

(4) Cameras for security purposes may be considered remodeling for purposes of the bus depreciation reserve fund.

(5) The bus depreciation reserve fund shall not be used to depreciate or replace motor vehicles designed to carry ten or fewer persons.

(6) The bus depreciation reserve fund may be used to depreciate and replace "over-the-road" coaches used for student activities and athletics.

(7) The trustees of a district may use the bus depreciation reserve fund to replace or purchase an additional school bus as defined in 20-10-101(4)(a), MCA. Additional buses that do not meet the definition of a school bus in 20-10-101(4)(a), MCA, and that result in expansion of the district's fleet must be purchased from the general, transportation, student activity, or other fund as allowed by law. (History: 20-9-102, MCA; IMP, 20-10-147, MCA; NEW, 1992 MAR p. 209, Eff. 2/14/92; AMD, 1998 MAR p. 1719, Eff. 6/26/98; AMD, 2000 MAR p. 632, Eff. 2/25/00; AMD, 2006 MAR p. 3070, Eff. 12/22/06.)

10.10.312 COMPENSATED ABSENCE LIABILITY FUND (1) If the ending fund balance in the compensated absence liability fund (CALF) on June 30 exceeds 30% of the maximum liability on June 30 as defined in 20-9-512, MCA, the excess balance shall be transferred back to the general fund.

(2) In accordance with generally accepted accounting principles, transfers due to/from the CALF are to be accrued prior to year's end in the district's accounting records as operating transfers. The actual cash transfer to/from the CALF shall be made before September 30th of the next fiscal year. (History: 20-9-102, MCA; IMP, 20-9-512, MCA; NEW, 1994 MAR p. 1824, Eff. 7/8/94; AMD, 1996 MAR p. 2168, Eff. 8/9/96.)



10.10.313 BUILDING RESERVE FUND (1) Expenditures from the building reserve fund established under 20-9-503, MCA, are limited to the cash balance available in the fund.

(2) Short-term interfund loans from a district's other funds may be used to fund expenditures in advance of tax collections in the building reserve fund. Such interfund loans must be repaid by year-end. Short-term interfund loans between school districts shall not be made.

(3) Proceeds of a loan to be repaid from the building reserve fund established under 20-9-503, MCA, must be deposited in the building reserve fund. (History: 20-9-102, MCA; IMP, 20-9-503, MCA; NEW, 1994 MAR p. 1824, Eff. 7/8/94; AMD, 1998 MAR p. 1719, Eff. 6/26/98.)

10.10.314 INTERNAL SERVICE, ENTERPRISE, AND AGENCY FUNDS

(1) School districts may establish an internal service, enterprise, or agency fund if the intended purpose for which such fund will be used is approved by the Superintendent of Public Instruction. These funds shall be operated and accounted for as nonbudgeted funds.

(2) If the purpose for which a district intends to establish one of these funds is approved, the Superintendent of Public Instruction will provide the district guidance on the application of generally accepted accounting principles to that type of fund. If a district fails to comply with generally accepted accounting principles or with accounting policies established by the Superintendent of Public Instruction, the Superintendent may rescind approval to use the fund.

(3) Working capital needed to begin operations of an internal service fund may be derived from contributions of noncash assets from other funds or an interfund loan from the general fund. Interfund loans must be repaid before the end of the fiscal year.

(4) The intended purpose of an internal service fund is to provide services within a district and to be self-supporting without accumulating a profit. For example, a district's centralized purchasing operation may be accounted for in an internal service fund. Total costs of the services being provided, such as the costs of supplies, operation and maintenance of machinery, salaries and benefits for personnel responsible for providing the services, etc., should be recouped through user charges.

(a) The fund balance of an internal service fund must be kept within a range sufficient to maintain the operation without accumulating excess resources. If the balance becomes too high, charges to the funds receiving the services should be reduced. Excess balances in an internal service fund are not available for other purposes and must not be transferred to other funds.

(b) Charges must be made to all funds that receive services. Charges to the user funds must be reasonably determined and must be paid within the budgets of the user funds in the year services were provided. Expenditures charged to the user funds must be supported by invoices. Charges must be supported by documentation of actual usage.

(c) Services provided to users outside the district should be occasional in nature and the cost of such services must not be charged to district funds. Instead, such costs must be charged to those outside users and their payments recorded as revenue in the internal service fund.

(5) The intended purpose of an enterprise fund is to provide services to users outside the district. District enterprise operations are financed and operated in a manner similar to private business enterprises. Total costs of the services being provided, such as the costs of supplies, operation and maintenance of machinery, salaries and benefits for personnel responsible for providing the services, etc., should be recouped through user charges.

(a) The fund balance of an enterprise fund must be kept within a range sufficient to maintain the operation without accumulating excess resources. If the balance becomes too high, charges to outside users receiving the services should be reduced. Excess balances in an enterprise fund are not available for other purposes and must not be transferred to other funds.

(b) Charges must be made to all users which receive services. Charges to outside users or district funds must be reasonably determined and must be paid within the budgets of the district funds in the year services were provided. Expenditures charged to the district funds must be supported by invoices. Charges must be supported by documentation of actual usage.

(c) The cost of services provided to users outside the district must not be charged to district funds. Instead, such costs must be charged to those outside users and their payments recorded as revenue in the enterprise fund. (History: 20-9-102, 20-9-201, MCA; IMP, 20-9-103, 20-9-208, MCA; NEW, 1994 MAR p. 1824, Eff. 7/8/94.)

10.10.315 LITIGATION RESERVE FUND (1) The board of trustees may establish a litigation reserve fund when litigation is pending. Pending litigation is defined as any type of contested hearing that could result in a judgment with adverse fiscal consequences against the school district. Such proceedings may include but are not limited to actions heard by a county superintendent, the state Superintendent of Public Instruction, the Montana Human Rights Commission, a district court, the Montana Supreme Court, the Equal Opportunity Commission, Fair Labor Standard Boards, etc.

(2) The litigation reserve fund may be used to pay awards or judgments, including costs if so ordered in the judgment. This fund may also be used to pay settlements agreed upon before a judgment is rendered, back wages including benefits, and civil penalties.

(3) The litigation reserve fund shall not be used to pay costs of attorney fees, witness fees, travel, copies, telephone, transcripts, etc.

(4) When the litigation ends, any remaining fund balance in the litigation reserve fund shall be immediately transferred back to the general fund.

(5) In accordance with generally accepted accounting principles, transfers due to or from the litigation reserve fund must be accrued prior to year's end in the district's accounting records as operating transfers. The actual cash transfer to or from the litigation reserve fund shall be made before September 30th of the next fiscal year. (History: 20-9-102, MCA; IMP, 20-9-515, MCA; NEW, 1996 MAR p. 2168, Eff. 8/9/96.)

10.10.316 DISTRICT RETIREMENT FUND (1) School districts will report retirement fund expenditures on the trustees' financial summary either by:

(a) reporting expenditures distributed to all expenditure programs and functions used in payroll; or

(b) reporting resources transferred to a special education cooperative for nonfederal employee benefits and a single, undistributed total for the remaining retirement fund expenditures.

(2) Districts may not partially distribute retirement fund expenditures to some functions and not to all functions. Expenditures must be reported using either the method in (1)(a) or (1)(b) but not both.

(3) A district that paid retirement benefits for federally funded employees in excess of the limit imposed by 20-9-501, MCA, must reimburse the district retirement fund in the fiscal year the error is detected using current year grant funds or, if the grant project has closed, using nonfederal funds. A reimbursement made after the year in which the charges exceeded the limit must be recorded as a prior period expenditure in the fund making the reimbursement. (History: 20-9-102, 20-9-201, MCA; IMP, 20-9-103, 20-9-502, MCA; NEW, 1998 MAR p. 1719, Eff. 6/26/98; AMD, 2004 MAR p. 1613, Eff. 7/23/04.)

10.10.317 INVESTMENT POOLS (TRANSFERRED) (History: 20-9-102, 20-9-201; MCA; IMP, 20-9-212, MCA; NEW, 2000 MAR p. 632, Eff. 2/25/00; AMD & TRANS, 2002 MAR p. 1740, Eff. 6/28/02.)

10.10.318 SCHOOL FLEXIBILITY PAYMENT (1) For purposes of calculating a district's school flexibility payment for fiscal year 20XX, the following definitions apply:

- (a) "Average student amount" means the amount calculated by:
  - (i) multiplying either the cash balance or the fiscal year 20XX appropriation in the school flexibility account, whichever is less, by 40 percent; and
  - (ii) dividing by average statewide budgeted ANB for the previous five-year period. Average statewide budgeted ANB is calculated using the final ANB for fiscal years 20XX-5 through 20XX-1.
- (b) "Current student amount" means the amount calculated by:
  - (i) multiplying either the cash balance or the fiscal year 20XX appropriation in the school flexibility account, whichever is less, by 20 percent; and
  - (ii) dividing by the total statewide budgeted ANB for the previous fiscal year. Total statewide budgeted ANB is calculated using the final budgeted ANB for fiscal year 20XX-1.
- (c) "District K-12 public school funding amount" means the K-12 public schools amount multiplied by the number of K-12 public schools in the district, as defined in 20-6-501, MCA, that are open as of October 1 in the year of the payment.
- (d) "District K-12 large public school funding amount" means the large K-12 public schools amount multiplied by the number of K-12 public schools in the district, as defined in 20-6-501, MCA, that report at least 250 students enrolled on the October count date in the year of the payment.
- (e) "District student funding amount" means the current student amount multiplied by the district's budgeted ANB for fiscal year 20XX-1 plus the average student amount multiplied by the district's average budgeted ANB for fiscal years 20XX-5 through 20XX-1.
- (f) "K-12 public schools amount" means the amount calculated by:
  - (i) multiplying either the cash balance or the fiscal year 20XX appropriation in the school flexibility account, whichever is less, by 15 percent; and
  - (ii) dividing by the total number of K-12 public schools statewide, as defined in 20-6-501, MCA, that are open as of October 1 in the year of the payment.
- (g) "Large K-12 public schools amount" means the amount calculated by:
  - (i) multiplying either the cash balance or the fiscal year 20XX appropriation in the school flexibility account, whichever is less, by 25 percent; and
  - (ii) dividing by the total number of K-12 public schools, as defined in 20-6-501, MCA, that report at least 250 students enrolled on the October count date in the year of the payment.
- (h) "District flex fund allocation" means the sum of the district K-12 public school funding amount, the district large K-12 public school funding amount and the district student funding amount.

(2) No later than January 31, the Office of Public Instruction shall distribute a school flexibility payment to qualified districts for deposit in the district's school flexibility fund. Nonoperating districts are not qualified for a district flex fund allocation.

(3) If approved by the electorate, in addition to the amount distributed to a district's flex fund under this rule, the trustees may levy an amount not to exceed 25% of the Office of Public Instruction's most recent estimate of the district flex fund allocation. (History: 20-9-102, 20-3-106, MCA; IMP, 20-9-541, 20-9-542, 20-9-543, 20-9-544, MCA; NEW, 2002 MAR p. 1740, Eff. 6/28/02; AMD, 2006 MAR p. 3070, Eff. 12/22/06.)

10.10.319 CLOSURE OF A SCHOOL DISTRICT FUND (1) Trustees may not close a fund into a fund of another school district. An elementary fund must be closed into another elementary fund, and a high school fund must be closed into another high school fund.

(2) Pursuant to 20-9-201, MCA when trustees determine that a tuition fund is inactive and will no longer be used, they must close the fund into the miscellaneous programs fund.

(3) Pursuant to 20-9-443, MCA when all bond principal, interest, and fees and all SIDs outstanding have been fully paid, the trustees shall close the debt service fund into the building reserve fund, general fund, or technology fund. The district shall identify money transferred from the debt service fund using a project reporter code number and track the subsequent uses of the money that are limited by 20-9-443, MCA.

(4) Pursuant to 20-10-147, MCA, when all the buses of a district have been sold or otherwise disposed of, trustees may close a bus depreciation reserve fund to any other fund of the district contingent on voter approval.

(5) Pursuant to 20-9-505, MCA, a district entering nonoperating status shall close all funds, except the debt service fund and the miscellaneous programs fund, into a single nonoperating fund of the district.

(6) Pursuant to 20-9-201, MCA except as provided in (1) through (5) of this rule, trustees may close an inactive fund into any fund considered appropriate by the trustees if the fund does not have a cash or fund balance deficit. If an inactive fund has a cash or fund balance deficit, the district must resolve the deficit before closing the fund.

(7) Pursuant to 20-9-201, MCA, the trustees shall notify the county treasurer in writing of the fund closure, stating the district fund into which the inactive fund is to be closed. The county treasurer shall deposit subsequent receipts on behalf of the closed fund, including subsequent tax receipts, in the fund to which the inactive fund was closed. (History: 20-9-102, MCA; IMP, 20-9-201, 20-9-443, 20-9-505, 20-10-147, MCA; NEW, 2002 MAR p. 1740, Eff. 6/28/02.)

10.10.320 CASH AND BUDGET TRANSFERS BETWEEN SCHOOL DISTRICT FUNDS

(1) Trustees may transfer cash between funds only if the transfer is specifically allowed by law or administrative rule.

(2) Trustees shall hold a properly noticed hearing to accept public comment on a transfer before the transfer can occur, except the following cash transfers:

(a) transfers from the general fund to the compensated absences fund under 20-9-512, MCA, or transfer of an excess balance in the compensated absences fund to the general fund;

(b) transfers of unused employer contributions for self-insurance group coverage allowed by 2-18-703, MCA;

(c) transfers from the general fund to the litigation reserve fund and, upon settlement of the litigation, a transfer returning the balance to the general fund under 20-9-515, MCA;

(d) transfers between the federal impact aid fund and the debt service fund under 20-9-437 and 20-9-443, MCA;

(e) transfers from any fund, except the miscellaneous programs fund, to support an interlocal agreement fund under 20-9-703, MCA;

(f) closure of district funds to establish a nonoperating fund under 20-9-505, MCA;

(g) transfers of any portion of the balance of a bus depreciation fund approved by the voters as provided in (4);

(h) transfers of unused tuition receipts from the miscellaneous programs fund to the general fund as provided in ARM 10.10.310; and

(i) transfers of excess funds in the lease or rental agreement fund to the general fund as required in 20-9-509, MCA.

(3) The trustees shall not transfer cash from the district retirement fund, which is funded by a countywide levy, to any other fund.

(4) Pursuant to 20-10-147, MCA, when all the buses of a school district have been sold or otherwise disposed of, trustees may transfer any portion of the bus depreciation reserve fund balance to any other fund of the district contingent on voter approval.

(5) Trustees shall not transfer any portion of the balance in the debt service fund to another fund, except to close the fund after fully paying all obligations as provided in 20-9-443, MCA.

(6) Except for the general fund, retirement fund, debt service fund, and bus depreciation fund, trustees may transfer:

(a) any portion of the cash balance in a budgeted fund to another budgeted fund for any purpose allowed by law, provided the money being transferred is comprised of revenue from sources other than tax receipts;

(b) tax revenues from one budgeted fund to another budgeted fund, provided the money is subsequently expended for purposes the same as, or directly related to, the purposes for which the taxes were levied. When tax receipts are transferred, the trustees' resolution shall state the purpose for which the taxes were levied and the purposes for which the funds will be used.

(7) Trustees shall not transfer cash received through state and federal grants and contracts.

(8) Trustees may transfer any portion of the cash balance in a nonbudgeted fund of the district. The trustees' resolution shall state specifically how the transfer will be used to improve efficiency of spending within the district.

(9) Except when specifically provided by law, trustees may not transfer money between a budgeted fund and a nonbudgeted fund.

(10) When the trustees transfer cash from one budgeted fund to another budgeted fund, the trustees may also transfer budget authority up to the amount of the cash transfer, from the paying fund to the receiving fund.

(11) Within 30 days of approving the transfer, the trustees shall notify the state superintendent, county superintendent, and county treasurer in writing of the amount of budget authority and the amount of cash transferred, the purposes for which the amount transferred will be used, and the funds affected. (History: 20-9-102, 20-10-112, MCA; IMP, 20-9-208, 20-9-439, 20-9-443, 20-9-509, 20-9-512, 20-9-515, 20-9-703, 20-10-147, MCA; NEW, 2002 MAR p. 1740, Eff. 6/28/02; AMD, 2004 MAR p. 1613, Eff. 7/23/04; AMD, 2010 MAR p. 1990, Eff. 9/10/10.)

## Subchapter 4

## GAAP

10.10.401 DEFINITION (1) The governmental environment differs markedly from that of business enterprises. Governmental accounting systems and reports and the information they provide will differ accordingly. Thus, a set of generally accepted accounting principles (GAAP) applicable to governmental accounting and reporting has been developed for use by governmental units. These accounting principles are designed to enhance fiscal control, facilitate compliance with GAAP and finance-related legal and contractual requirements and result in financial statements and reports that fulfill many user information needs. GAAP provide uniform minimum standards of and guidelines for financial accounting and reporting. GAAP encompass the conventions, rules and procedures necessary to define accepted accounting practices at a particular time. They include not only broad guidelines of general application, but also detailed practices and procedures.

(2) The primary authoritative source on the application of GAAP to school districts is the Governmental Accounting Standards Board (GASB). The basic accounting principles are explained in detail in the "Codification of Governmental Accounting and Financial Reporting Standards" published by GASB.

(3) To assure school districts comply with GAAP and to clarify application of GAAP when necessary, the Superintendent of Public Instruction establishes uniform accounting and reporting policies for all school districts. This will be accomplished through the issuance of the "School Accounting Manual" and subsequent updates. In the absence of policy from the Superintendent of Public Instruction, the hierarchy of GAAP set forth in GASB Statement 1 should be followed. This hierarchy is as follows:

- (a) Pronouncements of the Governmental Accounting Standards Board (GASB);
- (b) Pronouncements of the Financial Accounting Standards Board (FASB);
- (c) Pronouncements of bodies composed of expert accountants that follow a due process procedure, including broad distribution of proposed accounting principles for public comment, for the intended purpose of establishing accounting principles or describing existing practices that are generally accepted;
- (d) Practices or pronouncements that are widely recognized as being generally accepted because they represent prevalent practice in a particular industry or the knowledgeable application to specific circumstances of pronouncements that are generally accepted; and
- (e) Other accounting literature. (History: 20-9-102, 20-9-201, MCA; IMP, 20-9-201, MCA; NEW, 1990 MAR p. 717, Eff. 4/13/90; AMD, 2000 MAR p. 632, Eff. 2/25/00.)



10.10.402 FOCUS OF GENERALLY ACCEPTED ACCOUNTING

PRINCIPLES (1) The primary focus during the implementation of generally accepted accounting principles shall be accounting methods and internal financial reporting.

(2) Each district's accounting methods shall provide information to present fairly and with full disclosure the financial position and results of financial operations of the funds and account groups of the district in conformity with generally accepted accounting principles, except that for budgetary control purposes, encumbrances may be recorded as expenditures in the accounting records. (History: 20-9-102, 20-9-201, MCA; IMP, 20-9-201, MCA; NEW, 1990 MAR p. 717, Eff. 4/13/90.)

10.10.403 SCHOOL ACCOUNTING MANUAL

(1) The Superintendent of Public Instruction shall publish and distribute to each school district an accounting manual which shall be referred to as the "School Accounting Manual." Such accounting manual, as now or hereafter amended, shall govern the accounting procedures of each school district and is hereby incorporated into this chapter by this reference. The accounting manual shall prescribe accounting methods and principles to be used by each school district. (History: 20-9-102, 20-9-201, MCA; IMP, 20-9-201, MCA; NEW, 1990 MAR p. 717, Eff. 4/13/90.)

10.10.404 BASIS OF ACCOUNTING

(1) All school districts will use the generally accepted basis of accounting for each fund as set forth by the Governmental Accounting Standards Board to measure the district's financial position and results of financial operations. School districts shall be permitted to maintain the accounting system on the cash basis during the year. However, all adjusting entries required to convert the accounting system to the modified accrual or full accrual basis of accounting must be recorded prior to the year-end closing of the accounts. (History: 20-9-102, 20-9-201, MCA; IMP, 20-9-201, MCA; NEW, 1990 MAR p. 717, Eff. 4/13/90.)

10.10.405 CLOSING PERIOD

(1) The time period used after June 30th to determine the actual or estimated amount of all accruals, deferrals, and necessary adjustments existing as of June 30th shall be known as the "closing period."

(2) As required by 20-9-213, MCA, every transaction will be recorded in the appropriate account before the accounts are closed at the end of the fiscal year in order to properly report the receipt, use, and disposition of all money and property for which the district is accountable. (History: 20-9-102, 20-9-201, MCA; IMP, 20-9-201, MCA; NEW, 1990 MAR p. 717, Eff. 4/13/90.)

10.10.406 STANDARD CHART OF ACCOUNTS (1) For reporting purposes, a standard chart of accounts will be used by all school districts as prescribed by the Superintendent of Public Instruction. The chart of accounts will be in substantial conformity to the chart of accounts as presented in "Financial Accounting for Local and State School Systems" published by the National Center for Education Statistics. School districts shall not maintain funds or accounts that are not included in the standard chart of accounts. (History: 20-9-102, 20-9-201, MCA; IMP, 20-9-201, MCA; NEW, 1990 MAR p. 717, Eff. 4/13/90.)

10.10.407 FIXED ASSET INVENTORY (1) All school districts shall maintain fixed asset inventory and depreciation records to allow reporting of fixed assets in conformity with generally accepted accounting principles. (History: 20-9-102, 20-9-201, MCA; IMP, 20-9-103, 20-9-213, MCA; NEW, 1990 MAR p. 717, Eff. 4/13/90; AMD, 1994 MAR p. 1824, Eff. 7/8/94; AMD, 2002 MAR p. 1740, Eff. 6/28/02.)

## Subchapter 5

## Monthly and Annual Reports

10.10.501 COUNTY TREASURER'S FINANCIAL REPORTS (1) As provided by 20-9-212, MCA, the county treasurer's monthly report shall include an itemized report for each fund maintained by the school district showing the paid warrants, registered warrants, amounts and types of revenue received, and the cash balance.

(a) The county treasurer should consider including copies of A101 receipts and other supporting documentation with the monthly report or sending this information to each school district as received.

(b) The county treasurer's June report must include all money collected on behalf of school districts through June 30.

(2) The county treasurer's monthly report will also include information on investments, bonds and interest paid, and taxes receivable by type, year and by fund or district. The county treasurer's report for June 30th should include accrued interest receivable by fund and the amount of unpaid matured and unmatured outstanding bonds and matured interest payable.

(3) Every month each school district shall reconcile ending cash, investments, cash receipts and cash disbursements reported by the county treasurer with the district's records for all funds. Any differences shall be documented and adjustments to the school district or county treasurer's records made as necessary.

(4) Before closing the accounts for each fiscal year, each school district shall reconcile ending cash, investments, taxes receivable balances, accrued interest receivable, unpaid matured and unmatured outstanding bonds, and matured interest payable reported by the county treasurer with the district records for all funds. Significant cash differences shall be explained on the trustees' financial summary submitted to the Superintendent of Public Instruction. Adjustments to the school district records shall be made prior to closing the accounts. Adjustments to the county treasurer's records shall be made as necessary in the current fiscal year or next fiscal year.

(5) As provided by 7-6-2801, MCA, the county treasurer shall provide an itemized report for each fund maintained by the county superintendent showing the distributions ordered by the county superintendent, amounts and types of revenue received, the cash balance, investments, and taxes receivable balances. (History: 20-9-102, 20-9-201, MCA; IMP, 20-9-121, 20-9-212, 20-9-442, MCA; NEW, 1990 MAR p. 717, Eff. 4/13/90; AMD, 1992 MAR p. 209, Eff. 2/14/92; AMD, 1994 MAR p. 1824, Eff. 7/8/94.)

10.10.502 FINANCIAL REPORTS FILED WITH THE SUPERINTENDENT OF PUBLIC INSTRUCTION

(1) Monthly, quarterly, and annual financial reports shall be prepared by the administration of each school district and the county superintendent of schools on paper forms or electronically as provided by the Superintendent of Public Instruction. If a district or county superintendent chooses to generate their own paper forms, they will be accepted only if the format duplicates the preprinted forms provided by the Superintendent of Public Instruction.

(2) For electronic reporting of monthly, quarterly, and annual financial reports, the school district shall be in compliance with the specification requirements as provided by the Superintendent of Public Instruction. (History: 20-9-102, 20-9-201, MCA; IMP, 20-9-102, 20-9-213, MCA; NEW, 1990 MAR p. 717, Eff. 4/13/90; AMD, 1992 MAR p. 209, Eff. 2/14/92; AMD, 1994 MAR p. 1824, Eff. 7/8/94; AMD, 2000 MAR p. 632, Eff. 2/25/00.)

10.10.503 REPORTS - NOTIFICATION TO BOARD OF PUBLIC EDUCATION

(1) According to 20-9-344, MCA, the Board of Public Education may order the Superintendent of Public Instruction to withhold distribution of BASE aid from a district when the district fails to submit reports or budgets as required by law or rule.

(2) The purpose of withholding distribution of a district's BASE aid is to ensure that required reports and budgets are prepared properly and are submitted timely. Therefore, the Office of Public Instruction will notify the Board of Public Education if a district or county repeatedly:

(a) fails to submit reports or budgets in accordance with prescribed deadlines,; or

(b) fails to prepare reports or budgets correctly. This section applies to reports and budgets that are necessary for the Office of Public Instruction to determine the district's BASE aid or are necessary for the Office of Public Instruction to monitor a district's compliance with statutory restrictions.

(3) Upon discovery that a report or budget has not been submitted or has not been prepared properly, the Office of Public Instruction will notify the district clerk, the district superintendent and the county superintendent of the specific violation(s). If the report is a county report, the county treasurer and county commissioners will also be notified. A list of districts and counties notified will be sent to the Board of Public Education.

(4) After 35 calendar days, the Office of Public Instruction will provide to the Board of Public Education an updated list of districts that have not submitted or properly prepared a report or budget.

(5) If a district's BASE aid is withheld because district or county reports or budgets were not submitted to the Office of Public Instruction as required by law or rule, the Office of Public Instruction will notify the Board of Public Education and the district when such reports are received and all reporting requirements have been met and will request approval from the board to release withheld funds.

(6) Upon receiving approval from the board, the Office of Public Instruction will release any BASE aid being held from the district with the next regular distribution of BASE aid. (History: 20-9-102, 20-9-201, MCA; IMP, 20-9-344, MCA; NEW, 1990 MAR p. 717, Eff. 4/13/90; AMD, 1994 MAR p. 1824, Eff. 7/8/94; AMD, 1996 MAR p. 2168, Eff. 8/9/96; AMD, 1998 MAR p. 1719, Eff. 6/26/98.)

10.10.504 FUNDING ADJUSTMENTS FOR PRIOR/CURRENT YEAR REPORTING ERRORS (1) The Office of Public Instruction conducts several checks on the accuracy of data reported by trustees, county treasurers, county superintendents of schools and school districts. If errors are found in data reported as a result of these checks, or if an error is brought to the Office of Public Instruction's attention by the district, county or another outside party, the Office of Public Instruction may require an amended report or budget to be submitted and may make any necessary adjustment to the district's state or federal payments.

(2) Regardless of the year the report or budget error occurred, whenever possible, any resulting adjustment to the district's prior or current year state payment will be made in the year the error is discovered. The adjustment will be made by increasing or decreasing, as appropriate, current year state payments remaining to be distributed to the district.

(3) If the amount remaining to be distributed to the district in the current year is less than the amount of an adjustment decreasing the district's state payment, the balance of the adjustment will be made by reducing state payments to the district in the following year or years until all prior year over-distributions of state payments have been recovered.

(4) The Superintendent of Public Instruction may require a district to provide reasonable documentation supporting the amount of additional state payments to be distributed to the district due to errors in financial or ANB data reported in the prior or current year. Examples of reasonable supporting documentation include copies of district accounting records, copies of county accounting records and official audit opinions.

(5) Revisions to the annual trustees' financial summary report made by the district or cooperative after December 20 of the ensuing fiscal year will not be considered in calculating amounts used for special education reversion or for federal maintenance of effort requirements.

(6) Material revisions to the annual trustees' financial summary submitted by December 20 shall be accepted, limited to the following types of adjustments:

(a) coding revisions between revenue or expenditure line items providing no change occurs in the fund balance of budgeted funds; and

(b) revisions in balance sheet accounts provided no change occurs in the fund balance of budgeted funds.

(7) Changes that affect fund balance in a budgeted fund or immaterial line item coding changes must be reported as prior period adjustments in the trustees' financial summary for the current year. The district may need to adopt a budget amendment in the current year to record the prior period adjustment within the budget of a fund.

(8) Revisions to the annual trustees' financial summary submitted by December 20 will be filed for information purposes by Office of Public Instruction. (History: 20-9-102, 20-9-201, MCA; IMP, 20-9-344, MCA; NEW, 1990 MAR p. 717, Eff. 4/13/90; AMD, 1992 MAR p. 209, Eff. 2/14/92; AMD, 1994 MAR p. 1824, Eff. 7/8/94; AMD, 1998 MAR p. 1719, Eff. 6/26/98.)

10.10.505 DISTRICT REVENUE AND EXPENDITURE REPORTS (1) The district clerk shall make available revenue and expenditure reports to the board of trustees.

(2) The recommended format for revenue and expenditure reports for budgeted funds is:

(a) The revenue budget report should show by revenue account the amount budgeted by fund for each revenue account, the amount collected to date, and the amount remaining to be collected.

(b) The expenditure budget report should show the amount budgeted by line item, function, or in total, the amount expended to date and the amount of budget authority remaining.

(3) Revenue and expenditure reports for nonbudgeted funds should include, at a minimum, the amount collected to date for each revenue account and the amount expended to date by expenditure line item or expenditure function category. (History: 20-9-102, MCA; IMP, 20-9-133, 20-9-213, MCA; NEW, 1994 MAR p. 1824, Eff. 7/8/94.)

## Subchapter 6

## Investments

10.10.601 COUNTY INVESTMENT OF SCHOOL DISTRICT FUNDS

(1) As required by 20-9-212, MCA, county treasurers shall invest, within three days of receipt, money received in the elementary and high school county equalization funds, the county levies in support of district retirement obligations, and the county levy in support of transportation schedules. The taxes must remain invested until one working day before they are distributed to school districts within the county or remitted to the state.

(2) County treasurers shall allocate proportionately to, and deposit investment income received, in the funds established to account for elementary and high school county equalization, the county levies for retirement, and the county levy for transportation. (History: 20-9-102, MCA; IMP, 20-9-212, 20-9-213, MCA; NEW, 1990 MAR p. 717, Eff. 4/13/90; AMD, 1992 MAR p. 1365, Eff. 6/26/92; AMD, 1994 MAR p. 1824, Eff. 7/8/94; AMD, 1998 MAR p. 1719, Eff. 6/26/98; AMD, 2000 MAR p. 632, Eff. 2/25/00; TRANS, 2002 MAR p. 1740, Eff. 6/28/02.)

Rules 10.10.602 through 10.10.609 reserved

10.10.610 DEFINITIONS For purposes of this subchapter, the following definitions apply:

(1) "Nonspending investment account" is a school district investment account from which monies are transferred back to the county treasurer to cover district warrants drawn on the district's fund or for cooperatives formed under 20-7-457, MCA, for cooperative warrants drawn on the cooperative's funds.

(2) "School district investment account" is defined as an investment account established by a Montana school district pursuant to 20-9-235, MCA, or by a cooperative as provided under ARM 10.10.611. "School district investment account" does not include an investment pool program hosted by the county as a countywide investment pool or a school district investment pool formed by schools or by a combination of schools and other local governments under 20-9-213, MCA.

(3) "Spending investment account" is a school district investment account from which the district or cooperative formed under 20-7-457, MCA, makes payments for expenditures using electronic payments, either to vendors or to a subsidiary checking account used to issue checks from the district's or cooperative's investment accounts. Warrants are not written on a fund held for a district or cooperative by a county treasurer if a spending investment account has been established for the fund. (History: 20-9-102, 20-9-235, MCA; IMP, 20-9-235, MCA; NEW, 2002 MAR p. 1740, Eff. 6/28/02; AMD, 2006 MAR p. 3070, Eff. 12/22/06.)

10.10.611 ESTABLISHMENT OF INVESTMENT ACCOUNTS (1) In accordance with 20-9-235, MCA, a school district may set up school district investment accounts for any fund or funds of the district except the debt service fund. A full service education cooperative established under 20-7-451, MCA, and which receives state special education allowable cost payments and quality educator payments directly from the Superintendent of Public Instruction under 20-7-457 and 20-9-327, MCA, may set up investment accounts for any fund or funds of the cooperative in accordance with 20-9-235, MCA.

(2) Trustees may deposit money from elementary and high school funds of districts operating as a unified school system as provided in 20-6-312, MCA, into a combined investment account or accounts, provided the financial activity of each fund and district is separately identified in the district's financial records and provided that income on investments is allocated to the district fund which generated the income.

(3) All elected officials, school district employees, full service education cooperative employees, and investment firm employees with duties related to the investment must be bonded.

(a) The bond may cover an individual or a blanket bond of the investment may cover all elected officials and employees or any combination.

(b) The district or full service education cooperative shall determine the amount for which the elected official or employee shall be bonded based on the amount of money or property handled and the opportunity for defalcation.

(4) Before establishing investment accounts, a school district or full service education cooperative must obtain written documentation that the investment firm or entity being contracted to administer the investment account(s):

(a) complies with 20-9-204, MCA, Article VIII, section 13 of the Montana Constitution and is qualified and competent to provide investment services to school districts and full service education cooperatives;

(b) is either registered with or has filed notice with the State Auditor under the provisions of Title 30, chapter 10, MCA;

(c) acquires pledged securities in the same manner and amount as required in 7-6-202 and 7-6-213, MCA, for investments which are not guaranteed or uninsured investments;

(d) agrees to purchase only the types of investments allowed for schools by law pursuant to 20-9-213(4), MCA; and



(e) provides the district or full service education cooperative with a monthly report detailing:

- (i) investment and redemption dates;
- (ii) investment and redemption amounts, by school district fund;
- (iii) fees charged for administering the investment accounts;
- (iv) the amount of interest accrued, reinvested and distributed by fund;
- (v) the balance of the district's investments, by fund;
- (vi) for a spending investment account, a list of checks, if applicable, and a detailed report of electronic payments made from the investment account; and
- (vii) at fiscal year-end, the amount of interest accrued as of June 30 and the fair value of the district's or full service education cooperative's share of pooled investments as of June 30 as prescribed by Governmental Accounting Standards Board (GASB) No. 31. (History: 20-9-102, 20-9-235, MCA; IMP, 20-9-235, 20-9-327, 20-9-440, MCA; NEW, 2002 MAR p. 1740, Eff. 6/28/02; AMD, 2004 MAR p. 1613, Eff. 7/23/04; AMD, 2006 MAR p. 3070, Eff. 12/22/06; AMD, 2010 MAR p. 1990, Eff. 9/10/10.)

10.10.612 SPENDING INVESTMENT ACCOUNTS (1) A district or full service education cooperative that establishes a spending investment account for a fund will issue payments from the fund using electronic payments or checks. District or full service education cooperative warrants may not be issued from a spending investment account.

(a) A district or full service education cooperative using spending investment accounts may establish a subsidiary checking account from which checks are issued. Districts may transfer money from the spending investment accounts to the district's or full service education cooperative's subsidiary checking account to pay checks written against district or cooperative funds held in spending investment accounts.

(b) A district or full service education cooperative issuing checks from a subsidiary checking account may apply facsimile signatures and seals as provided in 2-16-114 and 20-9-221, MCA.

(c) Checks must be countersigned using the process for signing warrants as provided in 20-9-221, MCA.

(d) Checks must be made payable to specified payees and never made payable to cash.

(2) Section 20-9-440, MCA, requires the county treasurer to make all payments due on school district bonds and special improvement districts (SIDs). Therefore, trustees may establish a nonspending account, but not a spending investment account, for the debt service fund. (History: 20-9-102, 20-9-235, MCA; IMP, 20-9-235, MCA; NEW, 2002 MAR p. 1740, Eff. 6/28/02; AMD, 2006 MAR p. 3070, Eff. 12/22/06.)

10.10.613 AGREEMENT WITH THE COUNTY TREASURER (1) Before establishing a school district investment account or accounts, the trustees of a school district or a full service education cooperative shall enter into a written agreement with the county treasurer.

(2) Trustees of a joint district shall enter into an agreement with the county treasurer of the located county only. County treasurers of nonlocated counties shall continue to remit the revenue collections from their counties to the appropriate district funds held by the located county's treasurer, who will deposit the money according to the signed agreement and the trustees' directives.

(3) To be effective for the ensuing school year, an agreement must be entered into no later than June 30.

(4) A separate agreement must be used for each elementary, high school, or K-12 district or full service education cooperative.

(5) The written agreement must, at a minimum, meet the statutory requirements of 20-9-235, MCA. The district or full service education cooperative and the county treasurer may include additional agreed-upon provisions. An agreement that contains an automatic renewal provision must be reviewed and reauthorized by the parties at least every five years. (History: 20-9-102, 20-9-235, MCA; IMP, 20-9-235, MCA; NEW, 2002 MAR p. 1740, Eff. 6/28/02; AMD, 2006 MAR p. 3070, Eff. 12/22/06; AMD, 2010 MAR p. 1990, Eff. 9/10/10.)

10.10.614 PAYMENTS INTO AN INVESTMENT ACCOUNT (1) The school district or a full service education cooperative for special education that receives direct special education allowable cost payments from the Superintendent of Public Instruction under 20-7-457(1), MCA, may apply in writing to the state Superintendent of Public Instruction to distribute the district's or cooperative's payments by direct electronic transfer of funds into an investment account as provided by 20-9-235 and 20-9-346(3), MCA.

(2) To qualify for the electronic transfer, the trustees shall submit a written request to the state Superintendent, including a copy of the trustees' written agreement under ARM 10.10.613 for each affected fund and a copy of the direct deposit signup form (OMB standard form 1199A), signed by the district or cooperative and the investment firm, indicating the routing numbers for the electronic deposit into the school investment account.

(3) The state Superintendent of Public Instruction shall approve the request if:

(a) the district or cooperative is currently in compliance with financial accounting and reporting requirements of the state Superintendent of Public Instruction;

(b) other funds of the district or cooperative held by the county treasurer do not have deficit cash balances; and

(c) the district's or cooperative's most recent audit report discloses no serious financial noncompliance issues, repeated or unresolved financial problems, or significant internal control problems.

(4) The state Superintendent of Public Instruction shall process an eligible district's or cooperative's request for direct depositing beginning with the next scheduled payment if the district's or cooperative's completed request is received by the 10th of a month, barring unforeseen delays.

(5) Federal grant payments may only be made to an investment account that does not earn interest or other income.

(6) The state Superintendent of Public Instruction may rescind the approval of a district's or cooperative's request to receive electronic transfers to investment accounts if the criteria of (3) and internal control provisions of ARM 10.10.615 are not met. Upon receipt of written notice, the trustees may request a hearing to be held within 30 days. If, after hearing, the conclusion is that the criteria of (3) are not being met, the state Superintendent of Public Instruction may discontinue transfers to the district's or cooperative's investment account after a waiting period of 60 days. (History: 20-9-102, 20-9-235, MCA; IMP, 20-9-235, MCA; NEW, 2002 MAR p. 1740, Eff. 6/28/02; AMD, 2004 MAR p. 1613, Eff. 7/23/04; AMD, 2006 MAR p. 3070, Eff. 12/22/06.)

#### 10.10.615 INTERNAL CONTROLS AND ACCOUNTING RECORDS

(1) The trustees of a district or the management board of a full service education cooperative shall provide and enforce a system of internal controls to safe-guard the district's or full service education cooperative's money by providing the following procedural checks and balances:

(a) Each month, a school district or full service education cooperative that has established an investment account(s) shall reconcile:

(i) the district's or cooperative's records of investment balances;

(ii) county treasurer's transfers from the district's or cooperative's funds to the account(s);

(iii) transfers from the account(s) to the district or cooperative fund(s) held by the county treasurer;

(iv) checks cleared; and

(v) interest income to the investment account statement.

(b) A person other than the district or full service education cooperative employee responsible for producing payments by check or electronic transfer, including another district or cooperative employee, a county employee, a trustee, or a contracted accounting professional, shall review the monthly reconciliation to verify validity of:

(i) changes to account routing numbers;

(ii) appropriate payees;

(iii) proper sequence of check numbers; and

(iv) authorization of expenditures by the appropriate school district or full service education cooperative official.

(c) No single person may control an accounting transaction from beginning to end, meaning the same person shall not be responsible for initiating a payment or transfer, authorizing the payment or transfer, recording of accounting transactions for payments and transfers, and reconcilements.

(2) When directed by the school district or full service education cooperative, a county treasurer shall deposit the district's or cooperative's money directly into the appropriate investment account by issuing a treasurer's check or wire transfer of funds to the investment account. A treasurer may not direct payments to a subsidiary checking account.

(a) When directing investments, the school district or full service education cooperative shall provide written notification to the county treasurer stating the amount to deposit and the fund making the investment.

(b) A school district or full service education cooperative shall not purchase investments using district or cooperative warrants.

(3) For a nonspending investment account, a school district or full service education cooperative shall direct the investment firm to deposit redeemed investments and interest income to the credit of the specific and appropriate school district fund held by the county treasurer.

(a) The school district or full service education cooperative shall require that the investment firm, transferring money to the district's or cooperative's fund held by the county treasurer, inform the county treasurer in writing stating the fund(s) to which the proceeds should be deposited and the amount of the interest earnings and principal contained in the proceeds. Any losses incurred must also be reported by fund.

(b) The school district or full service education cooperative shall not make payments from a nonspending investment account.

(4) Before transferring money from one fund to another fund of the district, as allowed by specific references in school laws, trustees shall return the money from the school investment account to the related fund held by the county treasurer. Trustees may then direct the county treasurer to transfer the money to the receiving fund pursuant to 20-9-201, 20-9-208, or 20-9-443, MCA.

(5) A school district or full service education cooperative participating in a nonspending investment account shall monitor its cash balances maintained with the county treasurer and will promptly redeem investments to pay district or cooperative warrants and district bond principal and interest in a timely manner. (History: 20-9-102, 20-9-235, MCA; IMP, 20-9-235, MCA; NEW, 2002 MAR p. 1740, Eff. 6/28/02; AMD, 2006 MAR p. 3070, Eff. 12/22/06.)

Rules 10.10.616 through 10.10.624 reserved

10.10.625 INVESTMENT POOLS (1) For purposes of this rule, "investment pool" is defined as a unified investment program established under 20-9-213(4), MCA, by a Montana school district and one or more other school districts or other local governmental entities. "Investment pool" does not include an investment program hosted by the county as a countywide investment pool or a school district investment account established under 20-9-235, MCA.

(2) A school district participating in an investment pool shall enter into a written agreement with other participants, including one or more other school districts or local governments involved in the program. In addition to terms required by 7-11-105, MCA, the agreement must state:

(a) the manner in which participants will share gains, losses, interest distributions and fees;

(b) that only the types of investments allowed by 20-9-213(4), 7-6-202, and 7-6-213, MCA, will be purchased;

(c) the procedures for dissolving the pool and distributing the ending balance to participants;

(d) the details specific to procedures necessary when more than one county treasurer is involved in funds combined in the investment pool;

(e) the party authorized to direct the purchase and redemption of investments (i.e. a representative of the host entity, investment pool committee or board, school district official, etc.); and

(f) that all elected officials, school district employees, and investment pool employees with duties related to the investment pool must be bonded.

(i) The bond may cover an individual or a blanket bond of the investment pool may cover all elected officials and employees or any combination.

(ii) The investment pool participants shall determine the amount for which an elected official or employee shall be bonded based on the amount of money or property handled and the opportunity for defalcation.

(3) Before participating in an investment pool a school district must have written documentation that the investment firm or entity contracted to administer the pool:

(a) complies with 20-9-204, MCA, Article VIII, section 13, Montana Constitution, and is qualified and competent to provide investment services to the school districts;

(b) is either the state Board of Investments or an investment firm that is either registered with or has filed notice with the State Auditor under the provisions of Title 30, chapter 10, MCA;

(c) acquires pledged securities in the same manner and amount as required in 7-6-202 and 7-6-213, MCA, for investments which are not guaranteed or uninsured investments; and

(d) provides each investment pool participant and associated county treasurer with a monthly report detailing:

- (i) investment and redemption dates;
- (ii) investment and redemption amounts, by school district fund;
- (iii) fees charged for administering the investment pool;
- (iv) the amount of interest accrued, reinvested and distributed, by fund;
- (v) the balance of the district's investments, by fund; and
- (vi) at fiscal year-end, the amount of interest accrued as of June 30 and the fair value of the district's share of pooled investments as of June 30 as prescribed by governmental accounting standards board (GASB) No. 31.

(4) A school district participating in an investment pool shall reconcile the district's records of investment balances and interest income to the county treasurer's reports and the investment firm's reports each month.

(5) When directed by a school district participating in an investment pool, a county treasurer shall invest the district's money within three days in an investment pool by issuing a treasurer's check, warrant, or wire transfer of funds to the state Board of Investments or investment firm that has registered or filed notice with the State Auditor administering the investment pool.

(a) When directing investments, the school district must provide written notification to the county treasurer stating the amount to invest and the fund making the investment.

(b) A school district shall not purchase investments using district warrants.

(6) A school district will direct the investment firm that has registered or filed notice with the State Auditor or State Board of Investments to deposit redeemed investments and interest income with the county treasurer, to the credit of the specific and appropriate school district fund.

(a) The school district will require that the investment firm or State Board of Investments informs the county treasurer in writing stating the funds to which the proceeds should be deposited and the amount of the interest earnings and principal contained in the proceeds.

(b) The school district shall not pay operating expenses from an investment pool without first returning the funds to the county treasurer. Operating expenses include but are not limited to salaries, service or construction contracts, and supplies and equipment.

(7) Each school district participating in an investment pool will monitor its cash balances maintained with the county treasurer and will promptly redeem investments to pay district warrants and bond principal and interest in a timely manner. (History: 20-9-102, 20-9-201; MCA; IMP, 20-9-212, MCA; NEW, 2000 MAR p. 632, Eff. 2/25/00; AMD & TRANS, 2002 MAR p. 1740, Eff. 6/28/02.)